

FEDERAL ELECTION COMMISSION
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Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

MUR: 4250
DATE COMPLAINT FILED: 8/23/95
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STAFF MEMBER: Jose M. Rodriguez

COMPLAINANT: Democratic National Committee

RESPONDENTS: National Policy Forum and John R. Bolton, President
Republican National Committee and
Alec Pointevint, as treasurer

RELEVANT STATUTE(S): 2 U.S.C. § 434(a)
2 U.S.C. § 441a
2 U.S.C. § 441b
11 C.F.R. § 102.5
11 C.F.R. § 104.8
11 C.F.R. § 104.9
11 C.F.R. § 106.5

INTERNAL REPORTS CHECKED: Disclosure Reports

FEDERAL AGENCIES CHECKED: None

I. GENERATION OF MATTER

On August 23, 1995, the Democratic National Committee ("DNC") filed a complaint alleging that the Republican National Committee ("RNC") violated various provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"), by conducting electioneering activity outside of the party structure through an organization known as the National Policy Forum ("NPF"). Based on publicly available information and information provided by complainant, the following is presently known about the NPF's activities. The NPF was created

on May 24, 1993 by the RNC's then Chairman Haley R. Barbour, approximately six months after former President George Bush's defeat in the 1992 general election. From its inception in 1993, the NPF has held numerous public forums and conferences developing and promoting the "Republican" perspective concerning issues of interest to the electorate. The culmination of these forums and conferences is a report published by the NPF in July 1994 and a book authored by Mr. Barbour under the NPF's auspices in April 1996, both of which appear to promote the Republican Party's national agenda. In fact, information derived from these conferences and forums was reportedly provided to the 1996 Republican Party Platform Committee and apparently incorporated into the 1996 Republican platform. It also appears that in April of 1995, the NPF conducted a "Medicare issues survey" to measure the public's response to proposed Republican changes to the health care system. The results of this survey reportedly were provided to the RNC. Last, the NPF also published a periodical previously published by the RNC and produced a television show telecast on GOP-TV. From its inception in 1993 through 1996, the NPF received over four million dollars in RNC loans to finance its activities and may have also conducted solicitations using the RNC's major donor lists. It appears that these solicitations generated numerous excessive and corporate contributions. Separate responses have been received from the RNC and the NPF.

II. FACTUAL AND LEGAL ANALYSIS

A. **Applicable Law**

The Federal Election Campaign Act of 1971, as amended, sets forth limitations and prohibitions on the type of funds which may be used in Federal elections. 2 U.S.C. §§ 441a, 441b. The Act prohibits funds received from national banks, corporations, and labor unions from

being spent in connection with any federal election, and sets a \$20,000 per year limit on the amount a person may contribute to national party committees. 2 U.S.C. §§ 441a(a)(1)(B), 441b.

The Act also allows national party committees to make a direct contribution of up to \$5,000 to each House candidate, and \$17,500 to each Senate candidate. 2 U.S.C. §§ 441a(a)(2)(A), 441a(h). Additionally, the Act allows national party committees to make extensive expenditures in coordination with the party's federal candidates in the general election. 2 U.S.C. § 441a(d). In June 1996, the United States Supreme Court also recently held that, national party committees, like other individuals and entities, could make unlimited independent expenditures on behalf of federal candidates. *Colorado Republican Federal Campaign Comm. v. FEC*, 116 S. Ct. 2309 (1996).¹ Expenditures are defined as any purchase, payment, loan, gift or anything of value made by any person for the purpose of influencing a federal election. 2 U.S.C. § 431(9)(A).

The Commission's regulations require that political committees, including national party committees involved in both Federal and non-Federal election activity, segregate Federal funds from funds raised for use in non-Federal elections, generally by establishing a separate Federal account. 11 C.F.R. § 102.5(a)(1)(i). Because national party committees frequently make disbursements which are in connection with both Federal and non-Federal elections, the Commission in 1990 published new regulations at 11 C.F.R. § 106.5 which set guidelines for the allocation of these costs between Federal and non-Federal accounts established pursuant to

¹ *Colorado*, however, only dealt with the constitutionality of the coordinated party expenditure limits at Section 441a(d), and did not address the issue of generic allocable activity. Under the Commission's regulations, if a national party committee spends funds for purposes which fall within the definition of allocable activities set forth at 11 C.F.R. § 106.5(a)(2), the funds must be allocated between Federal and non-Federal funds based on the formula set forth in the regulations.

section 102.5. 11 C.F.R. § 106.5(b). Examples of disbursements which are considered made in connection with both Federal and non-Federal elections and require allocation are set forth in section 106.5(a)(2) and include administrative expenses, costs of fundraising conducted on behalf of both Federal and non-Federal candidates, and generic voter activity. 11 C.F.R. § 106.5(a)(2). Generic activity includes voter identification drives, voter registration, get out the vote drives, and any other type of activity that encourages the general public to vote for or support candidates of the particular party or associated with a particular issue, so long as no specific candidate is mentioned. 11 C.F.R. § 106.5(a)(2)(iv). Administrative expenses include rent, utilities, office supplies, and salaries. 11 C.F.R. § 106.5(a)(2)(i).

Allocable expenses incurred by a national party committee must be paid with at least sixty percent Federal funds in a non-presidential election year and with at least sixty-five percent Federal funds in a presidential election year. 11 C.F.R. § 106.5(b)(2).² The Explanation and Justification to these rules notes that this formula reflects the national party committee's primary focus on presidential and other Federal candidates and elections, while still recognizing that the national party committees also participate in party building at the state and local level. 55 Fed. Reg. 26058, 26063 (1990). Political committees, including national party committees, which have established Federal and non-Federal accounts pursuant to 11 C.F.R. § 102.5(a)(1)(i) must pay for activity which qualifies as allocable joint Federal and non-Federal activity described in 11 C.F.R. § 106.5(a)(2), either by establishing an allocation account into which Federal and non-Federal funds are paid according to the proper allocation ratio, or by paying all expenses out of

² The Commission's regulations provide an exemption to this allocation method for costs incurred in fundraising activities which generate both Federal and non-Federal funds. For this type activity, a national party committee must allocate the Federal and non-Federal share of the joint fundraising costs based on the ratio of Federal funds received from the joint fundraiser. See 11 C.F.R. § 106.5(f).

the Federal account and having the non-Federal account reimburse the permissible share of the costs. 11 C.F.R. § 106.5(g)(1).

During the approximate period that the NPF was active in conducting the Medicare issues survey, and in an apparent challenge to activity being conducted by the DNC on the same issue using exclusively non-Federal funds, the RNC sought an advisory opinion from the Commission on whether advertisements promoting a series of legislative proposals by the Republican Party could be paid exclusively with non-Federal funds.³ AO 1995-25, 2 Fed. Election Camp. Fin. Guide (CCH) ¶ 6162, at pp. 12,107-110 (Aug. 24, 1995).⁴ In Advisory Opinion 1995-25, the Commission determined by a vote of 6-0 that like other types of party building activity such as get-out-the-vote activity and voter registration drives, "[a]dvocacy of a party's legislative agenda is one aspect of building or promoting support for the party that will carry forward to its future election campaigns." *Id.* at p.12,109. At that time, the Commission noted that where a national party committee seeks "to gain popular support for the [party's] position on given legislative measures, and to influence the public's positive view of the [party] and their agenda, the activity encompasses the goal of electing candidates to Federal office." *Id.* While disbursements for this type of legislative advocacy campaign may qualify as generic activity or administrative expenses depending on the nature of the disbursement, the distinction is largely immaterial as at least sixty

³ The RNC's initial advisory opinion request notes its interest in conducting media activity regarding various legislative proposals "such as the balanced budget debate and welfare reform." However, when asked to produce specific examples of the type of activity they intended to undertake, the requester provided three sample ads, two of which dealt with the health care reform issue. See A.O. 1995-25, at p. 12,108.

⁴ After filing its advisory opinion request, but prior to the Commission issuing the advisory opinion, the RNC filed a complaint alleging that the DNC had violated the Act by failing to allocate expenses associated with its campaign to pass President Clinton's healthcare reform legislation ("National Health Care Campaign"). This activity is the subject of an ongoing analogous matter (MUR 4246). For a full discussion of this activity see the First General Counsel's Report in MUR 4246, dated December 24, 1996.

percent of both types of activity must be paid for with Federal funds. *Id.*, see also 11 C.F.R.

§ 106.5(b). As a result, the Commission determined that the funds used for these types of campaigns conducted by the national party committees should be allocated between Federal and non-Federal funds. *Id.*

If an organization with Federal and non-Federal accounts violates 11 C.F.R. § 102.5 by disbursing funds from a non-Federal account in connection with a federal election (*e.g.*, by using an excessive proportion of non-Federal funds to pay for the Federal share of allocable activity), the committee also will be found to have violated 2 U.S.C. § 441b(a) if the non-federal account contained corporate or labor organization funds at the time of the disbursement. If the non-Federal account contained excessive contributions from individuals at the time of the disbursement, the committee also will be found to have violated 2 U.S.C. § 441a(f), which prohibits political committees from knowingly accepting contributions in excess of the limits prescribed in 2 U.S.C. § 441a(a)-(d).

Political committees, including national party committees, are required to file periodic reports disclosing all receipts received, and all disbursements made, by the committee from both its Federal and non-Federal accounts. 2 U.S.C. § 434(a)(1); 11 C.F.R. §§ 104.8(a) and (e), and 104.9(a) and (c).

The Commission has held that where a political committee exercises clear control over the operations of a corporation and is principally responsible for the corporation's finances, the political committee and the corporation will be viewed as one entity for purposes of the Act and transactions performed through the corporation will be subject to the Act's contribution limitations and prohibitions, and reporting requirements. See MUR 1503 (National

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Congressional Club, *et al.*). MUR 1503 highlighted several factors probative of a political committee's domination of an ostensibly separate corporation. These factors included the political committee's involvement in the corporation's creation and subsequent control of the corporation's board of directors and other governing officials, the successive employment by the corporation of both officers and line personnel of the political committee, the political committee's involvement in the corporation's financing either through loans or through its position as the corporation's principal customer and primary source of income, and the political committee's direct involvement in the corporation's business decisions. As noted by this Office, such a relationship "permits the transfer of contributed funds to a corporation to serve the needs of a political committee thereby defeating important statutory purposes" by circumventing the "reporting requirements, the prohibition on corporate contributions to political committees and contribution limitations -- all integral to the statutory scheme of the FECA." General Counsel's Brief in MUR 1503, dated August 17, 1984, at 22. Based on this analysis, the Commission determined that the two entities should be treated as one to avoid a political committee's circumvention of the Act.

B. Factual and Legal Analysis

1. NPF as Integral Part of RNC

a. Complaint and Responses

Complainant principally alleges that the NPF is not an independent entity but "simply an arm or project of the RNC," applying a number of the indicia of affiliation at 11 C.F.R.

§ 100.5(g)(4)(ii) in support of its allegation. In response, both the NPF and the RNC initially argue that the NPF cannot be found to be affiliated with the RNC because affiliation under the

Commission's regulations can only be found between two political committees and the NPF's activities taken alone do not rise to the level necessary to trigger political committee status. Respondents further challenge the allegations by attempting to rebut the various indicia of affiliation raised by complainant.

These responses, however, neglect the overriding issue in this matter. The issue is not whether the NPF is a separate political committee affiliated with the RNC, but rather whether the NPF is a part of the RNC, established by the RNC as a separate organization to shield a portion of the RNC's activities from the monetary constraints and reporting obligations of the Act.⁵ In its response, the RNC acknowledges that the activity conducted by the NPF would have been allocable if conducted directly by the national party committee. *See* RNC Response dated September 20, 1995, at 3. As discussed below, the available evidence supports complainant's allegation that the NPF's activities were directed and financed by the RNC and that this activity was allocable under section 106.5(a) because it promoted electoral support of the party and its candidates. Because the available evidence suggests that the NPF may be nothing more than an "arm" of the RNC, there is reason to believe the RNC violated 11 C.F.R. §§ 102.5 and 106.5 by failing to allocate the expenses incurred for activities carried out through the NPF between its Federal and non-Federal accounts. The RNC used funds from its non-Federal accounts, presumably containing both excessive and prohibited contributions, to pay all costs associated

⁵ While not necessarily determinative, the Commission's affiliation factors provide guidance in deciding when separate entities should be treated as one for purposes of the Act. *See* A.O. 1985-31, 2 Fed. Election Camp. Fin. Guide (CCH) ¶ 5832, at pp. 11,213-215 (Nov. 22, 1985) (application of indicia of affiliation to determine relationship between parent and subordinate corporate entities for purpose of defining scope of solicitable class to SSF). These affiliation factors will be discussed where present and include: the existence of common or overlapping officers or employees, an active and significant participation by an organization or its agent in the formation of the other organization, and the existence of contributors common to both organizations. *See* 11 C.F.R. §§ 100.5(g)(4)(ii) and 110.3(a)(3)(ii).

with the NPF. Consequently, because the RNC may have used both corporate and excessive contributions to pay the Federal share of this activity, there is reason to believe the RNC violated sections 441a(f) and 441b of the Act. Moreover, the RNC may have violated section 434 of the Act by failing to report contributions raised, and expenditures made, through the NPF.⁶

b. The National Policy Forum Activities

The NPF was established on May 24, 1993 by the RNC's then chairman Haley R. Barbour.⁷ See NPF Articles of Incorporation filed May 24, 1993. Shortly after formation of the NPF, on June 10, 1993, Mr. Barbour as RNC Chairman distributed a memorandum to RNC major donors ("Team 100") introducing the newly formed NPF. Attachment 1. In this memorandum, provided by complainant, Mr. Barbour informs the Team 100 members that "[t]he RNC is creating the National Policy Forum (NPF) as an issue development *subsidiary*." *Id.* at 2 (emphasis added). Mr. Barbour highlights the structure of the NPF, explaining how it will allow Team 100 members access to prominent Republicans by allowing them to "serve alongside the Senators, Members of Congress, Governors and other national leaders," and by the creation of a "policy committee" of Team 100 that will "serve as an interface between Team 100 members and [the] NPF." *Id.* Mr. Barbour explains that the NPF's "immediate goal" is to "reach as wide an audience as possible through the media, publications, or its own forums, and thus be a highly

⁶ Complainant advances alternative allegations that, if the NPF is deemed an independent entity, its activities constitute in-kind corporate contributions to both the RNC and the various potential presidential candidates featured on the NPF policy councils, and that the NPF by this activity has triggered political committee status and is thus subject to the Act's reporting and contribution requirements. See Complaint at 8-9. As noted, because it appears that the NPF is not in fact a separate entity from the RNC, complainant's alternative allegations regarding the NPF need not be explored. Additionally, to keep this matter focused on the primary issues involved, this Office does not now explore any resulting benefit to the various Presidential and Vice-Presidential aspirants from the NPF's activities.

⁷ On January 18, 1997, Mr. Barbour was succeeded as RNC Chairman by Jim Nicholson.

visible platform for articulating both Republican ideas and principles.” *Id.* at 4. However, Mr. Barbour clarifies that the NPF will not take over the RNC’s role in promoting the Republican Party, but instead will serve to assist the RNC in this task. Specifically, Mr. Barbour notes that:

NPF operations will dovetail with and complement the work of Republican leaders in the Congress as they work to develop legislative strategy. NPF will have a much longer-term horizon and will be geared to the widest possible participation. It is not the intention of NPF to rewrite or amend the 1992 Republican Platform, and NPF does not have the authority to do so. NPF’s work is only supplemental to the platform and does not in any way supersede it.

Id. at 2.

In its response to the complaint, the RNC divorces itself from this Memorandum, arguing that it is “factually and legally incorrect,” “had a limited distribution at an RNC fundraising event as part of a larger fundraising package” and “received neither finance division, legal or executive approval.” RNC Response at 5. The response further notes that once discovered, the document was “eliminated from all future RNC fundraising efforts.” *Id.* As further evidence of the document’s inaccuracy, the RNC notes that a separate organizational structure (the National Advisory Counsel) “contemplated and discussed in the memorandum was never formed,”⁸ and last blames the memorandum on the work of “overzealous but misinformed fundraisers.” *Id.*

Aside from the simple assertion that the memorandum is “legally and factually” incorrect, the RNC fails to adequately negate the NPF’s purpose as described by Mr. Barbour. Neither the

⁸ The National Advisory Council (“NAC”), as contemplated in the memorandum, was to be a small representative body of the Team 100 Members that would serve as a liaison between the full Team 100 membership and the RNC’s chair and vice-chair. The NAC was to hold regular meetings with the chair and vice-chair and membership on the council was to reflect the geographic ratio of the Team 100 Members as a whole. *See Attachment 1, at 1-2.*

assertion that the document was not vetted by Respondent's legal or fundraising personnel, the assertion that at some point the document was withdrawn as a fundraising tool, nor the assertion that a separate unrelated organizational structure mentioned in the document was never implemented serve to *negate* the NPF's purpose as highlighted in the memorandum. As is next discussed, while the full extent of the NPF's activities are not known, other subsequent statements by Mr. Barbour, as well as the NPF's known activities from its inception in 1993 through 1996, reflect the stated purpose of the NPF as an arm of the RNC created to support Republican Party electioneering activities.

i) Formation (1993)

Following the above internal RNC memorandum, on June 21, 1993 the NPF issued a general press release announcing its formation. The press release attributed the following comments to Mr. Barbour in his official capacity as Chairman of the RNC:

The NPF will be a very participatory program, giving Republicans and others in the states and communities away from Washington, D.C., a voice in the national debates between the Clinton Administration's push for higher taxes, more spending and increased regulation and *our* belief in lower taxes, less spending and fewer regulations. This process helps demonstrate we are a party of inclusion.

Attachment 2, at 1 (emphasis added).

The connection between promoting the Republican perspective and the electoral benefit to be gained from this activity was clarified in a comment attributed to the NPF's first president, Michael E. Baroody, that the NPF "will be dedicated to the proposition that the contest for *votes* must also be a contest of ideas." *Id.* at 2 (emphasis added).

In an accompanying news conference held by Messrs. Barbour and Baroody, Mr. Barbour further explained the NPF's electioneering purpose. Mr. Barbour opened the news conference by

reading from a prepared statement describing the NPF as a "powerful vehicle for refining and articulating [the Republican] message," yet emphasizing that the NPF "will be separate from the [RNC]" and not "a party operation." Attachment 3, at 1. However, in response to reporters' questions, Mr. Barbour explained that he formed the NPF in response to the party's failure to articulate a successful electoral message in the 1992 elections. Mr. Barbour noted that "after 12 years in the White House and particularly, I thought, during the 1992 campaign, that it is important for us as a party to stand for something, for people to know what the Republican message is." *Id.* at 4. In response to further questions, Mr. Barbour went on to emphasize the NPF's goal of not only refining the Republican message, but also its electioneering goal of promoting Republican ideals and candidates: "[M]ost Republicans agree that we did not do a very good job in 1992 of letting the American people know what we were asking them to vote for, that we need to give people something to be for. It is not enough today for us just to oppose Clinton. We want a party that is centered on ideas and gives people something to be in favor of, *something to vote for.*" *Id.* at 7 (emphasis added). Mr. Barbour suggested that the reason this activity was not being conducted within the Republican Party was to encourage broad-based participation from all persons, regardless of political affiliation: "[S]etting it up separate from the party does make it very clear that everyone's welcome. And I think that's very important to us as a party." *Id.* at 13.

Two days after the formation of the NPF, the RNC loaned the NPF \$100,000 in seed money from its non-Federal account.⁹ See Attachment 8. It appears that the NPF also conducted its own solicitations during this period. In what appears to be a solicitation communication, the

⁹ For a full discussion of the NPF's financing see *infra* pp. 20-22.

NPF describes itself as an instrument of the Republican Party for communicating policy ideas with the general party membership. Attachment 4. The communication states:

And, too, we believe that politics in this country is and ought to be party politics, that parties ought to function as links between people and their government -- not only as instruments of accountability, but also as the means for inviting and introducing, and for testing and refining ideas and for accommodating them to the diverse desires of a pluralistic people who despite what they may hold separately can say in common: "We hold these truths."

Hence the National Policy Forum: A Republican center for the exchange of ideas.

Id. at 2.

This purpose is further described in an RNC communication. In an excerpt from the "1993 Chairman's Report to the Members of the Republican National Committee" Mr. Barbour highlights the role the NPF played in the RNC's effort to focus the Party's various activities on policy issues. Mr. Barbour notes:

One of my great delights last year was the fact that our political message, fund-raising appeal and legislative strategy were the same: that is, all revolved around policy issues, particularly the Clinton tax bill vs. the Republican alternative of reducing the deficit by cutting spending. This had a very favorable impact for us . . .

The National Policy Forum, a Republican Center for the Exchange of Ideas, was inaugurated in June of 1993. It is a separate organization from the RNC, but many party leaders and Republican elected officials are involved. The excellent participation at the five public forums held in 1993 shows the strong desire of our grass-roots supporters to have their voices heard in matters of policy

Attachment 5, at 2-3 (excerpted copy).

The above comments by Messrs. Barbour and Baroody illustrate the NPF's function as a party auxiliary responsible for refining, articulating and promoting the Republican message for future electoral gain, belying any notion that the NPF is an independent issue-oriented entity.

In response, the RNC only addresses the "Chairman's Report" and then only to make the simple assertion that "Chairman Barbour makes it very clear in [the Chairman's Report] that NPF is a separate organization from the RNC." RNC Response at 6. However, Mr. Barbour's comment concerning the NPF's independence contradicts the full meaning of this statement, and other statements, that the NPF is an auxiliary of the RNC responsible for formulating and articulating the party's message for use in all facets of the RNC's activities. The NPF's separate response fails to address any of the above described communications.

ii) Forums (1993-94)

The available evidence suggests that the NPF's initial and principal activity was the "Listening to America" project. This project involved the creation of several issue specific "policy councils" designed to develop and promote a broad Republican "message." These policy councils held numerous nation-wide public "policy forums" focusing on issues of interest to the electorate, the results of which were first published by the NPF in 1994.

In this respect, the RNC provided the initial support necessary to commence the project. In addition to providing the necessary seed money, in September 1993 the RNC mailed an "issue research survey" consisting of 159 questions to "Republican elected and party officials and contributors," the results of which were shared with the NPF. Attachment 3, at 2; *see also* Attachment 6, at 5 (excerpt from "Listening to America" report).¹⁰ This survey, mailed to over 800,000 individuals on the RNC's mailing lists, generated more than 134,000 responses. *See* Attachment 6, at 5. The responses were tabulated by the RNC and provided to the NPF for use

¹⁰ The complete text of the NPF's "Listening to America Report" is available for review in the Office of the General Counsel.

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in formulating its policy councils. See Attachment 2, at 2. In its response, the RNC acknowledges that this activity was allocable by representing that the costs for this survey were in fact treated and reported as allocable overhead expenditures.¹¹ RNC Response at 6. The response further states that the information was provided not only to the NPF, but also to "more than 150,000 recipients including, but not limited to, the media, Congressmen, governors, state and local officials and party leaders." *Id.* While it may be that the results from the survey were widely distributed, it appears that the principal purpose for the RNC conducting the survey was to provide a framework from which the NPF could begin its activities. As the NPF's press release noted:

The NPF program will begin next month with the distribution of a questionnaire covering a wide variety of policy issues. More than 600,000 Republican elected and Party officials and contributors will be asked to respond to what is believed to be the largest issue research survey project ever undertaken by any political institution. The responses will be tabulated by the Republican National Committee and the results will be made available to the NPF for future use by the Policy Councils.

Attachment 2, at 2.

Based on the results of this survey, the NPF conducted "more than 60" nation wide policy forums between November 1993 and June 1994, attended by more than 10,000 members of the public. Attachment 6, at 5. These forums were conducted by panels taken from the fourteen (14) "policy councils" created by the NPF. These "policy councils," and the accompanying policy forums, focused on both foreign and domestic issues of interest to the electorate, including:

¹¹ The RNC disclosed a \$10,025 (allocated \$6,015 Federal and \$4,010 non-Federal) disbursement on August 8, 1993 for "survey costs;" no other "survey costs" were reported by the RNC during this period. It is not clear if this disbursement was in connection with the above survey or if any other costs were incurred in conducting the survey. However, it would appear from the length of the survey, and the breadth of distribution, that the applicable costs would exceed the amount disclosed.

welfare and healthcare reform, environmental policy, fiscal policy, education policy, criminal justice issues and foreign policy.¹² In a fundraising communication described as a "Prospectus," the NPF discloses a 4.5 million dollar budget for the "Listening to American" project and notes that contributions to fulfill this budget are being solicited from "individuals, corporations and business, trade and professional associations." Attachment 7, at 8. The communication further notes that because of the NPF's 501(c)(4) status there are no legal limits on the amounts that may be contributed and that the contributions will not be publicly disclosed. *Id.*

Many 1996 Presidential and Vice-Presidential aspirants co-chaired the various policy councils, including William J. Bennett, Gov. Tommy G. Thompson, Lamar Alexander, Senator Phil Gramm, Jack Kemp, Gov. William F. Weld, Gov. Carroll A. Campbell, Jr., former Senator Bob Kasten, Senator Richard G. Lugar, and Dick Cheney. *See generally* "Listening to America." Moreover, the majority of these chairs and co-chairs participated on the panels conducting the various public forums. In addition to the co-chairs, each "policy council" had between forty five (45) and one hundred thirty-five (135) additional members.

iii) "Listening to America" (1994)

The results of these policy forums were published in the summer/fall of the 1994 off-year congressional elections in a report entitled "Listening to America." Attachment 6. This report, a compilation of individual reports from the fourteen (14) separate "policy councils," generally advances the "Republican" ideals of deficit reduction through decreased federal spending and

¹² The fourteen "policy councils" were: *Free Individuals in a Free Society, Strengthening the Family, Improving Schools and Education, Safe and Prosperous Neighborhoods, Economic Growth and Workplace Opportunity, Entrepreneurship and Small Business, Reducing the Size and Scope of Government, Health Care Grounded in American Values, Reforming the Legal and Regulatory Systems, The Environment, Natural Resources, Agriculture and Energy, Competing in the Global Marketplace, U.S. Leadership in a Changing World and Assuring America's Security.*

lower taxes; free trade policies; reduced crime through stricter sentencing; reduced federal regulation as a stimulant to business growth; performance based welfare reform; limited, decentralized health care reform; a strong national defense; and the return of control on social issues like education to local and state government. While the full distribution of this document is not clear, as is discussed below, it appears that the information gained from these conferences was ultimately provided to the Republican Platform Committee to aid in formulating the 1996 Republican Platform.

iv) Conferences and "Agenda for America" (1995 – 1996)

As a continuation of the "Listening to America" project, there is evidence that in 1995 the NPF hosted approximately "a dozen" conferences focusing on various policy issues, including health care and tax reform. Unlike the nationwide "policy forums" conducted in 1993 and 1994 by the various policy councils, these conferences all took place in Washington D.C. *See* Haley Barbour, *Agenda for America: A Republican Direction for the Future* (1996) ("Agenda for America"), at Introduction p. viii. However, as with the "policy forums," these conferences too promoted the Republican perspective on the various issues addressed.

The information derived from these conferences, along with the information derived from the 1993-1994 "policy councils," were published in April of presidential election year 1996 in "Agenda for America: A Republican Direction for the Future." Authored by Mr. Barbour under the NPF's auspices, this book essentially tracks, albeit in greater detail, the various policy arguments and proposals advanced in the 1994 "Listening to America" report.¹³ In promoting the book, Mr. Barbour explains his vision that the book "provide a framework for the 1996

¹³ "Agenda for America" is available for review in the Office of the General Counsel.

presidential debate." *GOP Chairman Joins Parade of Election-Year Authors*, APOL, April 24, 1996, available in Nexis Library.

In fact, it appears that the work of the NPF's "policy councils" provided more than just a discussion framework for the 1996 presidential contest. The information gathered through the various "policy councils" and the resulting policy conclusions were apparently used by the RNC's 1996 platform committee in drafting and adopting the 1996 Republican Platform. According to news accounts, both David Gribbin, the executive director of the platform committee, and Rep. Henry Hyde, Chairman of the platform committee, acknowledged the involvement of the NPF in the platform committee's deliberation and drafting process. Specifically, Mr. Gribbin is reported to have stated that "the committee in drafting the 1996 Republican Platform would rely on written comments as well as selected state party platforms and information culled by the National Policy Forum." Cynthia L. Webb, *Abortion Groups Divided On Plan to Forgo Hearings*, S.D. Union Tribune, June 27, 1996 at A-1. Similarly, Rep. Hyde is noted as confirming that "a draft of the platform was based on 5,000 e-mail messages, hundreds of letters and postcards, state platforms and particularly a book called *Listening to America*." Michael Murphy and Adrienne Flynn, *GOP Gears Up to Show Broad-Based Party at Convention*, The Ariz. Republic August 4, 1996, at Final Chaser A18.

Consistently, a comparison of the final adopted 1996 Republican Platform and Mr. Barbour's book "Agenda for America" demonstrates the adoption by the platform committee of many of the NPF's conclusions and policy recommendations. For example, under the healthcare discussion, the NPF's advocacy for portability of coverage, creation of medical savings accounts (MSAs), deductibility of healthcare premiums for the self-employed,

abolishment of mandatory coverage, and the transfer of the administration of Medicaid to state governments are all echoed in the 96 Republican Platform. *Compare Agenda for America at Ch.4 with 1996 Republican National Committee Platform, Prosperity, Self-Government and 'Moral Decay' ("96 GOP Platform")*, August 17, 1996, 1996 Cong. Quarterly at 2328-29.

Similarly, in the area of federal regulation, the 96 GOP Platform echoes the NPF's call for a "cost-benefit analysis" based on "sound science" for all proposed regulations. *Compare Agenda for America at Ch.2 with 1996 GOP Platform at 2322*. This parallel can be found in several other subject areas from environmental policy to welfare and subsidized housing policy.

As the above discussion illustrates, there is evidence that the "Listening to America" project served to formulate and disseminate a Republican message geared to the electorate. While it is not fully known in which manner and to what extent this information was used by the RNC, it is clear that the NPF disseminated this message to the public during the Federal elections of 1994 and 1996. Moreover, the RNC appears to have used the results of the NPF's efforts in crafting the official 1996 Republican Platform.

v) Medicare Issues Survey (1995)

It also appears that as part of the national healthcare legislation debate, in April 1995, the NPF conducted a survey gauging the electorate's response to proposed Republican policies on national healthcare issues. See Leigh Page, *Polls Driving Politicians on Medicare Reform*, American Medical News, V.38 at 1. It appears that the survey focused on the public's response to the various terms used to describe the Republican proposals. *Id.* The information derived from the survey was provided to the RNC who, in turn, provided the information to Republican congressional leaders. *Id.* A review of the RNC's disclosure report for the period at issue

suggests that the information was received free of charge. It is presently not clear what other activities the RNC may have conducted through the NPF in connection with the healthcare debate.

vi) "Commonsense" and GOP-TV

Last, there is evidence that beginning in January 1994, publication of the RNC's quarterly journal "Commonsense" was transferred to the NPF. *See* Attachment 2, at 2; The Standard Periodical Directory, Nineteenth Edition 1996. There is similar evidence that, from 1995 through 1996, the NPF also began producing a show called "Listening to America: A Neighborhood Meeting," hosted by NPF President John R. Bolton.¹⁴ This show apparently grew out of Lamar Alexander's "Republican Neighborhood Meeting," which was reportedly turned over to the NPF by Mr. Alexander's Republican Exchange Satellite Network in early 1995. *See* Undated NPF Brochure (Attachment 14 to complaint) at 3, *see also* Thomas Goetz, *Remote Control: How GOP-TV Pushes the Propaganda Button and Pulls the Money Strings*, The Village Voice, August 8, 1996, at Nation 3. The show was reportedly televised on the RNC's GOP-TV cable network for a fee, with Mr. Barbour hosting the premier show. *Id.* This Office intends to seek further information concerning these activities as part of the investigation in this matter.

c. The National Policy Forum Financing

It appears that a substantial portion of the NPF's activities were financed by the RNC through soft dollar loans from its non-Federal account. From the NPF's inception in mid 1993 through the end of 1996, the RNC made a total \$4,192,792.00 in loans to the NPF.¹⁵ *See*

¹⁴ Mr. Bolton replaced Michael E. Baroody as NPF President as of June 1994.

¹⁵ Complainant additionally notes that on at least one occasion the National Republican Congressional Committee made a \$200,000.00 disbursement for "flowers and gifts" from its Federal account to the NPF. As part

Attachment 8. The NPF repaid \$1,909,975.00 of this amount, leaving a \$2,282,817.00 balance.

Id. In response, the NPF notes that the funds were borrowed from the RNC on an arms-length basis at market rates, but fails to provide any documentation supporting this representation. NPF Response at 7 n.5. In its separate response, the RNC only notes that it has properly disclosed all loans to the NPF. RNC Response at 2.

It also appears that the NPF conducted its own separate fundraising solicitations. While this Office currently has little information on this activity, it appears these solicitations were conducted using the RNC's major donor lists, which the RNC provided free of charge, and that these solicitations raised both excessive and corporate contributions. According to news accounts, rather than concentrate on small donor mass-mailing solicitations, the NPF instead sought larger contribution commitments from wealthy individuals, corporations and membership associations. See Richard L. Berke, *Grass-Roots G.O.P. Group with Big Company Backing*, N.Y. Times, April 1, 1994, at A21, see also Charles R. Babcock, *Clinton, Gore as Fund-Raisers? Centrist Democratic Group Lists Them as Solicitors*, Wash. Post, May 30, 1994, at A13. These news accounts disclose that the solicitations were directed by Messrs. Barbour and Baroody using the RNC's donor resources and that substantial contributions and commitments had been received from individuals and corporations in 1993 and 1994. See *Id.* These descriptions of the NPF's fundraising efforts are consistent with an early NPF solicitation explaining that "[c]ontributions are being solicited from individuals, corporations and business, trade and professional associations." Attachment 7, at 8.

of the investigation in this matter, this Office intends to explore the relationship between the National Republican Congressional Committee, the National Republican Senatorial Committee and the NPF.

Consequently, if the above news accounts prove accurate, the RNC appears to have violated 2 U.S.C. §§ 441a(f) and 441b(a) by accepting both excessive and prohibited contributions which were used to pay the Federal share of allocable activity.

d. The National Policy Forum Staff

It also appears that the NPF's various activities were directly controlled by the RNC through Mr. Barbour. From the NPF's inception in 1993 through the end of 1996 Mr. Barbour served as both Chairman of the RNC and Chairman of the NPF. As noted in the complaint, the NPF's Bylaws appear to give Mr. Barbour, as Chairman of the NPF, sole discretion in appointing the NPF's board of directors, who in turn are responsible for the appointment of other officers and the governance of the NPF. See NPF Bylaws at Article IV, Section 2. Neither the RNC's nor the NPF's response challenge this assertion by complainant. Instead, in its response the RNC only notes that while overlapping officers may be viewed as a "potential indicia" of affiliation, the overlap alone does not make a non-profit organization an affiliated political committee. See RNC Response at 5. Similarly, the NPF's response only notes that "[i]t is a commonplace of life in the United States that civic-minded individuals belong to and participate actively in a variety of different organizations." NPF Response at 8.

The RNC's involvement in the NPF's activities appears to go beyond Mr. Barbour's position at the helm of both organizations. While the available information is limited, there appears to have been considerable overlap in staff between the two organizations. As noted by complainant, there are at least two other individuals that worked for the RNC, the NRSC and the NPF in close succession. Complainant notes that a former NPF communications director (Mary Crawford) and a former NPF director of administration and comptroller (Catherine Keller)

immediately took jobs with the RNC and the NRSC, respectively, upon leaving the NPF. *See* Complaint at 3.¹⁶ In response, the RNC implies that this information is not probative of the RNC's relationship with the NPF because the positions were successive and therefore there was no "overlap;" moreover, the response continues, the RNC has no control over the NRSC's affairs.¹⁷ RNC Response at 6. Despite Respondent's protestations, as is discussed in the next section of this report, the Commission has viewed this type of information as probative of a political committee's potential for directing another entity's activities.

A review of the RNC's disclosure reports for the years 1992 through 1994 discloses several additional individuals who worked for both the RNC and the NPF at the same time or in close succession. The NPF's Articles of Incorporation disclose a Mr. Donald Fierce as one of three initial directors of the NPF. *See* NPF Articles of Incorporation at Article Eight. At the time of the NPF's incorporation, Mr. Fierce was also a salaried employee of the RNC. Moreover, in 1994 when the NPF was traveling the country conducting the public "policy forums," Mr. Fierce began receiving numerous travel expenses from the RNC. It may be that these travel expenses were in connection with travel associated with the NPF's policy forums. In 1995, Mr. Fierce also served as the Strategic Planning and Congressional Affairs Director at the RNC. Similarly, Michael A. Hess, one of the NPF's incorporators, also served as RNC Chief Counsel at the time of the NPF's incorporation. *See* NPF Articles of Incorporation at Article Nine. Like Mr. Fierce, Mr. Hess remained a salaried RNC employee in 1994 and began

¹⁶ Complainant also alleges that the NPF's President Michael Baroody was on the RNC's payroll for a period of the time. Complaint at 3. In response, both the RNC and the NPF note that the Baroody appearing in the RNC's disclosure reports is not NPF President Baroody, but rather his son. *See* RNC Response at 6, NPF Response at 8 n.6. There is no present information contradicting Respondents' representation.

¹⁷ As noted at n.15 *supra*, as part of the investigation in this matter this Office will look into the NRSC's relationship with the NPF.

receiving numerous travel expenses from the RNC in that year. Moreover, another NPF staff member, Nikki McNamee, received travel expenses from the RNC while employed by the NPF in 1994.

It also appears that yet another individual may have worked concurrently for both the NPF and the RNC. Heather J. Bristol appears as both a NPF staff member and a salaried RNC employee in 1993. It is presently not clear what position Ms. Bristol held during this period. Last, two individuals involved in drafting the "Listening to America" report, Steve Moore and Ron Haskins, received payments from the RNC. Mr. Moore received a \$1,000 payment on December 16, 1993 for "art cost," and Mr. Haskins received a \$31.76 payment on March 16, 1994 for "meeting cost." Although the available information is limited, this information alone discloses that in addition to Mr. Barbour, at least three other individuals were employed concurrently by the RNC and the NPF and that another three separate individuals received payments from the RNC while apparently working for the NPF.

2. Consequences of Relationship

Based on the above, there is reason to believe that the RNC conducted a nation-wide effort through the NPF to develop, articulate and promote a Republican message designed to have a positive influence on Federal elections by garnering electoral votes. The Act imposes limitations on the types and amounts of funds which may be used to influence federal elections. See 2 U.S.C. § 441a - 441g. In light of these requirements, in 1990 the Commission promulgated regulations setting guidelines for the allocation of costs among Federal and non-Federal accounts incurred for activity that jointly benefit both Federal and non-Federal candidates and elections. Explanation and Justification of 11 C.F.R. Parts 102, 104, 106 55 Fed. Reg. 26058, 26063,

(1990). The regulations require that in non-Presidential election years, national party committees pay at least sixty percent of the costs incurred for administrative expenses and generic voter activity from funds raised in accordance with the limitations and prohibitions of the Act, or Federal funds, and that in Presidential election years national party committees pay at least sixty-five percent of those costs with Federal funds. 11 C.F.R. § 106.5(b)(2). Generic activity includes voter identification drives, voter registration, get out the vote drives, and any other type activity that encourages the general public to vote for or support candidates of the particular party associated with a particular issue, so long as no specific candidate is mentioned. 11 C.F.R. § 106.5(a)(2)(iv). Administrative expenses include rent, utilities, office supplies and salaries. 11 C.F.R. § 106.5(a)(2)(i).

In Advisory Opinion 1995-25, the Commission determined that expenses incurred by a national party committee in connection with legislative advocacy communications fall within the types of expenses which should be allocated because advocacy of a party's legislative agenda promotes a positive view of the party which necessarily translates into electoral support for the party's candidates. In this opinion, the Commission considered the narrower issue of whether the RNC could pay exclusively with non-Federal dollars for media advertisements promoting the party's position on legislative issues. The communications considered by the Commission consisted of two television advertisements and a print advertisement. One television advertisement urged support for the Republicans and their fight for a balanced budget amendment. The other television advertisement and the print advertisement focused on the healthcare debate and generally criticized the Democrat's Medicare policy, thereby creating a contrast between the two parties designed to favor the Republicans. After reviewing these

advertisements, the Commission concluded that "legislative advocacy media advertisements that focus on national legislative activity and promote the [p]arty should be considered as made in connection with both Federal and non-Federal elections," because, like other types of party building activity, this type of "[a]dvocacy of the party's legislative agenda is one aspect of building or promoting support for the party which will carry forward to future election campaigns." AO 1995-25, at p. 12,109. The Commission noted that where a national party committee seeks "to gain popular support for the [party's] position on given legislative measures and to influence the public's positive view of the [party] and their agenda, the activity encompasses the related goal of electing candidates to Federal office." *Id.* Thus, the Commission determined that the costs of such activity needed to be allocated between the Federal and non-Federal accounts and paid for with the proper portion of Federal funds.

In light of the foregoing, there is reason to believe that the expenses incurred by the RNC in connection with the NPF's efforts to develop, articulate and promote an electorally successful Republican message should have been allocated. As demonstrated by the "Listening to America" project, and as repeatedly disclosed in comments by Mr. Barbour, similar to the advertisements in Advisory Opinion 1995-25, the NPF's principal purpose was to analyze the electorate's response to various policy issues in an effort to develop a message that would contrast with the Clinton Administration's and the Democrat's policy message and resonate favorably with the electorate. The NPF was established in response to the Republican 1992 presidential defeat. At the period of its formation, Mr. Barbour repeatedly emphasized the need not only to oppose President Clinton and the Democratic Party, but to articulate an alternative message. *See Attachment 2, at 1; Attachment 3, at 7.* By noting his desire that the Republican

party be a party "centered on ideas" that "gives people something to be in favor of, something to vote for," Mr. Barbour clearly disclosed the nexus between the development of this message and the NPF's electoral goal. Attachment 3, at 7.

The NPF's activities are also evidence of its electioneering purpose. To the extent that the NPF directly promoted the Republican message, it did so only prior to the elections of 1994 and 1996. See "Listening to America" published in 1994 and "Agenda for America" published in 1996. Moreover, in 1996 the RNC platform committee used the work conducted by the NPF in the preceding four years in developing the 1996 Republican Platform (*i.e.*, the official 1996 Republican electoral message). Consequently, by developing, refining and promoting a Republican message that would engender electoral support of the party and its candidates, the NPF engaged in the type of party building activity that "encourages the general public to vote for or support candidates of the particular party associated with a particular issue," activity traditionally conducted directly by national party committees and squarely held to require allocation. 11 C.F.R. § 106.5(a)(2)(iv).

Indeed, in its response the RNC admits that the activity at issue would be allocable if conducted directly by the party committee; arguing only that it had no involvement in the NPF's activities. RNC Response at 3. The RNC makes the structural arguments that because the NPF's funds were kept in separate accounts to which the RNC had no legal access, because the RNC's "rules" do not provide for establishment of 501(c)(4) organizations and because the governing members did not in fact vote to establish the NPF, the NPF must be a separate organization. See *Id.* at 3-4. Similarly, the NPF's response essentially amounts to a general denial that it is subordinate to the RNC. See NPF Response. The NPF echoes the RNC's structural argument,

noting that its Articles of Incorporation clearly set out the NPF's purpose as an issue advocacy organization prohibited from engaging in electioneering activity. NPF Response at 6-7.

Notwithstanding Respondents' unsubstantiated conclusions, as demonstrated, the available evidence suggests that the RNC directly controlled the NPF both through its financing and administration and that the NPF has no identity separate from the RNC. Mr. Barbour's various internal statements to RNC members clearly describe the NPF's function as a "subsidiary" of the RNC responsible for formulating a party message. *See, e.g.*, Attachment 1, at 2; Attachment 5, at 2-3.

While there is limited Commission precedent on the issue of political committees' dominance over an ostensibly independent organizations, the Commission has in one instance found that a multi-candidate committee's substantial involvement in the creation, management and financing of a corporation established to provide direct-mail and media services rendered the two entities indistinguishable, requiring the political committee to treat all transactions conducted through the corporation as those of the committee. MUR 1503 (National Congressional Club, *et al.*). This prior matter is in many respects similar to the present matter. MUR 1503 involved the National Congressional Club ("NCC"), a multi-candidate committee closely aligned with Senator Jesse Helms of North Carolina. In 1979, an officer of NCC formed a corporation (Jefferson Marketing, Inc. or "JMI") to conduct direct-mail and media services which were at the time being conducted directly by NCC. JMI's Articles of Incorporation and Bylaws provided direct shareholder control over the corporation's board of directors. The Commission found that at all relevant times, NCC had *de facto* control of all shares of JMI stock

and consequently had direct control over the formation of JMI's board of directors.¹⁸ The Commission also found that the successive employment of NCC officers and a large number of NCC personnel by JMI, approximately 32 of JMI's total 53 employees had previously been employed by NCC, also provided NCC control over JMI's operations. There was also strong involvement by NCC in JMI's financing. NCC, either directly or through foundations under its control, provided approximately \$135,000 in interest free loans to JMI and accounted for nearly 90% of JMI's business. NCC also paid for many of JMI's business costs, such as overhead and salaries expenses. Last, there was evidence of NCC's direct involvement in JMI's affairs such as the approval of JMI purchase orders by an NCC officer and NCC involvement in settling a debt owed to JMI from a third party customer.

Because of these factors, this Office noted that "[t]he JMI/NCC combination permit[ed] the transfer of contributed funds to a corporation to serve the needs of a political committee thereby defeating important statutory purposes." General Counsel's Brief in MUR 1503, dated August 17, 1984, at 22. As stated in the General Counsel's Brief in MUR 1503:

[W]here a political committee and a business corporation are structured and operated so that the corporation is dominated and controlled by the political committee, there is no distinction between the two for purposes of the FECA. The corporation is thus a mere extension of the political committee subject to the same campaign financing regulation as the controlling political committee.

Id. at 5.

¹⁸ Upon formation, JMI issued one hundred shares of stock. These shares were initially in the possession of JMI's first two presidents, both of which had a direct relationship with NCC, and were later transferred to foundations under the control of NCC. At no time were the shares split-up or possessed by any entity not having a relationship with NCC.

Consequently, the Commission found, *inter alia*, that NCC violated 2 U.S.C. § 434 "by failing to comply with the requirements of that section as respects the activities of [JMI]."¹⁹ Commission Certification in MUR 1503 dated October 16, 1994, at 3.

Similar to the relationship in MUR 1503 between NCC and JMI, there is evidence that the RNC, through its Chairman Haley Barbour and other officers, exercised control over the NPF's formation, administration and financing. The RNC's involvement in the NPF's creation is clearly evidenced in Mr. Barbour's introduction of the NPF to the Team 100 members prior to the NPF's public debut. This involvement is also reflected in Mr. Barbour's participation in the NPF's initial press release and news conference and in his participation in the NPF's early solicitation activity. In fact, the RNC's involvement in the NPF's formation goes beyond Mr. Barbour's participation, and also includes the appearance of two RNC officers as incorporator and initial board member of the NPF. Indeed, there is a closer connection between the RNC and the NPF than there was between NCC and JMI in MUR 1503, in that Mr. Barbour concurrently served as Chairman of both organizations.

Evidence of the RNC's control over the NPF can also be found in the NPF's financing and staff. As previously discussed, the RNC not only provided the NPF the necessary seed money to begin its activities, it also absorbed a portion of the NPF's initial costs by distributing the 1993 survey and continued providing loans to the NPF through the end of 1996. While the

¹⁹ At the same time, the Commission failed to find probable cause to believe NCC violated the same provision "by failing to report contributions made by [JMI] and contributions made to [JMI]." Further, although recommended in the General Counsel's Probable Cause Report, the Commission certification does not reflect a vote on a violation of 2 U.S.C. § 441a(f) by NCC for accepting excessive contributions through JMI. However, the Consent Order settling this matter, and accepted by the Commission, makes clear that "for purposes of the Act NCC and JMI were a single entity" and thus "the failure of NCC [] to report the receipts and disbursements of JMI [] is a violation of 2 U.S.C. § 434." Consent Order in *FEC v. National Congressional Club*, No. 85-242-CIV-5 (E.D.N.C. May 15, 1986).

survey costs are presently unknown, the loans totaled in excess of four million dollars for the four years. Similarly, to the extent that the NPF conducted its own fundraising, the available information suggests that this activity was conducted by Mr. Barbour using the RNC donor lists. Consequently, in the present matter, the RNC appears to have provided all of the NPF's financing, in excess of the 90% deemed by the Commission in MUR 1503 as evidencing a political committee's dominance over an entity's finances.

There are other parallels between the two matters. As concurrent chairman of both the RNC and the NPF, and with sole authority to appoint NPF directors, Mr. Barbour had a prominent involvement in the NPF's operation. This involvement is reflected not only in Mr. Barbour's stewardship of the NPF, but also in the involvement of RNC officers and staff in the NPF's activities. Like in MUR 1503, there is evidence of individuals working for both organizations. In fact, unlike MUR 1503 where the employment of common personnel was successive, in the present matter there is evidence that several individuals held concurrent roles with the RNC and the NPF.

Therefore, there is evidence that the NPF was not in fact a separate entity from the RNC, but rather a subordinate instrument of the RNC, financed and controlled by the RNC primarily to conduct allocable party building activities. If so, the RNC was required to allocate all expenses incurred through the NPF between its Federal and non-Federal account in the proper ratio for the years 1993 through 1996.

Concerning the "Medicare issues survey," to the extent that the information derived from this survey was used by the RNC to promote the Republican legislative agenda, the costs associated with this activity also should have been allocated. Similarly, as concerns the NPF's

publication of the periodical "Commonsense" and the production of "Listening to America: A Neighborhood Meeting" on GOP-TV, to the extent that the content of these communications promoted the Republican Party agenda, the costs associated with these activities should have been allocated as well. Additional information regarding these activities is necessary to conclusively determine if they were allocable. As noted, this Office intends to inquire into these projects as part of its investigation in this matter.

C. Conclusion

Given the above, there is reason to believe the NPF's "Listening to America" project constituted party building activity by the RNC, and that the expenses incurred on this activity were allocable sixty percent Federal in 1993 through 1995 and sixty-five percent Federal in 1996. *See* 11 C.F.R. § 106.5(b)(2). Further, there is reason to believe that the RNC failed to allocate these expenses, and instead used funds from its non-Federal accounts to pay for all of these expenses. During the period at issue, the RNC's non-Federal accounts contained contributions from corporations and contributions from individuals in excess of the \$20,000 per year national party contribution limit. While these funds could permissibly be used to pay the non-Federal share of allocable activities, they could not be used to pay the sixty or sixty-five percent Federal share. Consequently, there is reason to believe that the RNC failed to properly allocate the expenses associated with the NPF's activities. Moreover, funds from the RNC's non-Federal accounts used to pay the Federal share of the project costs contained contributions from corporations and individual contributions in excess of \$20,000. Further, there is reason to believe that the NPF directly received excessive or prohibited contributions through its fundraising. Any such contributions used to pay the Federal share of the above activities would

also be prohibited.²⁰ Last, if the NPF is not a separate entity, but instead an auxiliary of the national party committee, the RNC was required to disclose all expenditures made, and all contributions received, through the NPF.

Therefore, this Office recommends that the Commission find reason to believe the RNC and Alec Pointevint, as treasurer, violated 11 C.F.R. §§ 102.5(a)(1) and 106.5(g)(1) by failing to properly allocate disbursements for activities conducted through the NPF into Federal and non-Federal shares and by making these disbursements from the non-Federal account. Additionally, this Office recommends that the Commission find reason to believe the RNC and its treasurer violated 2 U.S.C. §§ 441a(f) and 441b(a) by making disbursements for the Federal share of the NPF activities from entirely non-Federal funds containing excessive and prohibited contributions. Last, this Office recommends that the Commission find reason to believe the RNC and its treasurer violated 2 U.S.C. § 434(a)(1) by failing to report the activity conducted through the NPF.²¹

III. DISCOVERY

The NPF, as a 501(c)(4) organization incorporated under the laws of the District of Columbia, has not been required to make public its contributions and disbursements and appears to continue functioning without any public disclosure of its activities.²² Consequently, an

²⁰ While in MUR 1503, under that facts present in that case, the Commission seems to have failed to reach agreement on whether JMI's acceptance of excessive contributions constituted a violation of 2 U.S.C. § 441a(f) by NCC, this Office continues to believe that because the two entities are in fact the same, all funds received or expended through the NPF were in fact received and expended by the RNC and were therefore subject to all provision's of the Act applicable to the RNC.

²¹ Because this Office is proceeding under the theory that the NPF has no separate identity from the RNC for purposes of the FECA, this report makes no separate reason to believe recommendations at this time concerning the NPF's possible "political committee" status and resulting violations.

²² According to the Corporations Division of the District of Columbia government, the NPF had its corporate authority revoked as of September 1996 for failure to file the required annual reports. However, it appears that the

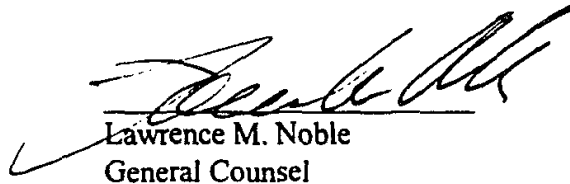
investigation is necessary to gain a better understanding of the full extent of NPF's activities, and the financing of these activities. Accordingly, this Office recommends that the Commission approve the attached Subpoena for the production of documents and Order to answer questions to the NPF covering the period from its inception in 1993 to the present. For the same reasons, this Office also recommends that the Commission approve the attached Subpoenas and Orders to the NPF's former and most recent known president -- Michael E. Baroody and John R. Bolton -- covering the period of their respective tenures.

Similarly, to gain a full understanding of the activities leading to the creation of the NPF, the NPF's intended purpose and its relationship with the RNC, NRSC and NRCC, this Office recommends that the Commission approve the attached Subpoenas and Orders to the RNC, NRSC and NRCC. Because of his integral involvement in the NPF, this Office also recommends that the Commission approve the attached Subpoena and Order to Haley R. Barbour as former chairman of the RNC and NPF. The scope of these Subpoenas and Orders are consistent with the Subpoena and Order to the NPF. Last, this Office recommends the Commission approve the attached Subpoena and Order to Regnery Publishing, Inc., the publisher of Mr. Barbour's book "Agenda for America" and the only known NPF vendor at this time. This Order and Subpoena seeks information concerning the publication and distribution of the book.

IV. RECOMMENDATIONS

1. Find reason to believe that the Republican National Committee and Alec Pointevint, as treasurer, violated 2 U.S.C. §§ 434(a)(1), 441a(f) and 441b(a), and 11 C.F.R. §§ 102.5(a)(1) and 106.5(g)(1).
2. Approve the attached Factual and Legal Analysis.
3. Approve the Subpoenas and Orders to the National Policy Forum, Michael E. Baroody, John R. Bolton, Haley R. Barbour, the Republican National Committee and Alec Pointevint, as treasurer, the National Republican Senatorial Committee and Stan Huckaby, as treasurer, the National Republican Congressional Committee and Donna Singleton, as treasurer, and Regnery Publishing, Inc.
4. Approve the appropriate letters.

5/8/97
Date


Lawrence M. Noble
General Counsel

Attachments:

1. "Team 100" Memorandum dated June 10, 1993.
2. NPF Press Release dated June 21, 1993.
3. Transcript of NPF Press Conference held June 21, 1993.
4. Undated NPF Communication.
5. 1993 RNC Chairman's Report (excerpt).
6. NPF "Listening to America" Report (excerpt).
7. Undated NPF "Prospectus" Communication.
8. Schedule of RNC loans to NPF.
9. Factual and Legal Analysis
10. Subpoenas and Orders (8).

June 10, 1993

MEMORANDUM FOR TEAM 100 MEMBERS

FROM: HALEY BARBOUR
JOHN A. MORAN
MAX M. FISHER

SUBJECT: TEAM 100 STRUCTURE AND ACTIVITIES

Welcome to Washington, D.C. for our Team 100 national meeting. We are all pleased you were able to attend this very important meeting. This meeting will set the tone for Team 100's role in the 1993-1994 election cycle, which will help prepare us to reclaim the White House in 1996.

The three of us have met at length and had numerous conversations about how to structure and run Team 100. All three of us have received written submissions of your ideas and discussed with many of you on the telephone our desire to improve the organization. Chairman Barbour believes Team 100 is a special group of Republican leaders and wants to utilize its strengths.

We propose to give Team 100 a more organized structure and put the membership at the forefront of the Republican Party's policy development program. What we have developed is truly unique and consistent with the type of program Team 100 members want.

There are two new significant programs that will enable Team 100 members to have meaningful input in the decision-making process at the RNC and in developing the Party's political and policy agenda.

National Advisory Council

Team 100 will have a National Advisory Council (NAC) that meets regularly with the Chairman and Co-Chairman of the Republican National Committee to advise them on broad-ranging issues that effect the Party, its candidates and the country. NAC will help to maintain a closer liaison between the individual members of Team 100 and the RNC leadership, but will not serve as a substitute for direct access to the RNC Chairman and Co-Chairman. NAC will also promote Team 100, recruit new members and maintain our membership base.

The NAC will be appointed by the RNC Chairman in consultation with the Team 100 membership, Team 100 Chairman and the Finance Chairman. It will

consists of 15 Team 100 members, including the Finance Chairman and Team 100 Chairman. There will be four regional Co-Chairman of Team 100 and the remaining nine positions will be filled on an at-large basis. At-large members will be selected to reflect the ratio to geography of the membership to ensure fair representation. NAC members will serve for the 1993-94 election cycle and will be Team 100 members in good standing.

Following this meeting, Team 100 members should submit written recommendations for the National Advisory Council to Chairman Barbour. He will then consult with John Moran and Max Fisher to finalize the members of NAC.

National Policy Forum

Secondly, Team 100 members are very interested and knowledgeable about policy matters. The RNC is creating the National Policy Forum (NPF) as an issue development subsidiary. It will help to set a positive Republican agenda for America and provide a pro-active forum for Republican participation. It will help the Party to regain its rightful position in this country as a party of principle, a party of ideas and a party of inclusion.

Team 100 members will be actively involved in NPF, for they have much to contribute in our policy deliberations. There are two specific ways Team 100 members will participate on the NPF. Every policy council, which will be the structure through which NPF operates, will include at least two or three Team 100 members, who will serve alongside the Senators, Members of Congress, Governors and other national leaders. This will inject the expertise of our Team 100 members directly into the NPF units at the operational level.

Since many Team 100 members will be interested in the subject matter of more than one policy council, there will also be a small policy committee of Team 100 to serve as an interface between Team 100 members and NPF. In this way a Team 100 member who is interested in but does not serve on a specific policy council will have an easy conduit into that policy council's work. The policy committee will also keep Team 100 abreast of NPF work and make sure NPF councils are receiving and considering the ideas of all Team 100 members.

NPF operations will dovetail with and complement the work of Republican leaders in the Congress as they work to develop legislative strategy. NPF will have a much longer-term horizon and will be geared to the widest possible participation. It is not the intention of NPF to rewrite or amend the 1992 Republican Platform, and NPF does not have the authority to do so. NPF's work is only supplemental to the platform and does not in any way supersede it.

NPF STRUCTURE

The National Policy Forum: A Republican Center for the Exchange of Ideas (NPF) is a non-profit tax exempt body being organized under section 501 (c) (4) of the Internal Revenue Code.

The NPF will be governed by a Board of Directors that consists of eleven to fifteen members. This board will include:

- 1) Chairman of the Republican National Committee
- 2) President of the National Policy Forum
- 3) a U.S. Senator
- 4) a U.S Congressman
- 5) a Governor
- 6) a Mayor
- 7) a state legislator
- 8) a county official
- 9-10) Co-Chairs of Coordinating Council
- 11-15) Representatives of business, civic and community leadership

Assisting the Board of Directors will be a Coordinating Council that is co-chaired by two prominent Republicans, one man and one woman.

The Coordinating Council will be composed of approximately fifty individuals from a variety of backgrounds including Republican elected officials, former office holders and Administration members, civic, community and business leaders, party officials and supporters as well as other prominent Americans from all walks of life. In addition, approximately one-half of the Council membership will consist of the co-chairs of the policy councils.

The basic work of the Forum will be conducted by the thirteen policy councils each constituted to deal with a major issue cluster. Intended to be large to meet our goal of inclusivity, each council will have approximately fifty to seventy-five members and be directed by co-chairs, typically one man and one woman. Policy council membership will be predominately from outside Washington and outside government, though federal, state and local elected officials will be substantially represented on each. (See the Policy Council Structure and Operations sections).

POLICY COUNCIL OPERATIONS

The NPF policy council structure will be announced, along with the Forum's Board of Directors and the Coordinating Council, in September.

Upon being selected and named by the Chairman and President of the Forum, the Co-Chairs of each policy council with input from the Board of Directors and Coordinating Council, will:

- join the Chairman and President in selecting the 50 to 75 members of each policy council.
- participate with the President in choosing a steering committee of 7 to 15 members that will oversee the work and set priorities for the council as a whole.
- ensure that an organizational meeting of the Policy Council occurs soon thereafter. At this meeting they will:
 - draft a work plan
 - review and prioritize issues to be addressed
 - plan for the establishment of Sub Councils
 - discuss NPF plans for forums around the country

In addition to their review of issues, a fundamental activity of each policy council will be the conduct of four public forums, at least three of which will be held outside the Washington, D.C. area. The forums will be the primary vehicle for NPF and policy councils to have dialogue with the public at large.

An immediate goal is the desire for NPF to reach as wide an audience as possible through the media, publications, or its own forums, and thus be a highly visible platform for articulating both Republican ideas and principles.

While a standardized format will be prepared for the structure of the forums, an important goal will be to retain the maximum flexibility in creating a specific forum in order to provide the NPF the latitude to explore innovative and imaginative ways to engage the public in policy debate.

NATIONAL POLICY FORUM

A Republican Center for the Exchange of Ideas

HALEY BARBOUR
Chairman

MICHAEL BAROODY
President

P R E S S R E L E A S E

FOR IMMEDIATE RELEASE

Monday, June 21, 1993
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BARBOUR ANNOUNCES FORMATION OF NATIONAL POLICY FORUM

Washington, D.C. -- Republican National Committee Chairman Haley Barbour today announced the formation of the National Policy Forum (NPF): A Republican Center for the Exchange of Ideas.

"This organization will be separate from the Republican National Committee, but it will be a powerful vehicle for refining and articulating our message of smaller government, economic growth through lower taxes, peace through strength and other Republican principles. Although it is not a party operation, it helps demonstrate ours is a party of principle and a party of ideas," Barbour said.

"The NPF will be a very participatory program, giving Republicans and others in the states and communities away from Washington, D.C., a voice in the national debates between the Clinton Administration's push for higher taxes, more spending and increased regulation and our belief in lower taxes, less spending and fewer regulations. This process helps demonstrate we are a party of inclusion," Barbour added.

Michael E. Baroody will serve as president of the NPF. Baroody, 46, has held a variety of political and governmental posts over the last two decades, most recently as senior vice-president, policy and communications, of the National Association of Manufacturers. In making the announcement, Barbour praised Baroody's selection as president of the NPF. "Mike is not only knowledgeable in this field but enjoys the respect of political, academic, research and journalistic leaders," Barbour said.

The National Policy Forum will be comprised of a Board of Directors of 25 nationally recognized Republicans and other policy leaders. It will be organized under Section 501(c)(4) of the Internal Revenue Code.

-more -

The initial work of the NPF will be accomplished through the operation of Policy Councils, each focusing on a particular issue cluster. The Policy Councils will hold a series of town meetings, hearings and conferences throughout the country over the next year, beginning after Labor Day. Board members and Policy Council leaders will be announced later this summer.

Each Policy Council will be comprised of 50 to 75 members and will be broadly representative of Republican elected officials of all levels, as well as party officials and community activists, former Administration officials, and leaders from business, labor, agriculture and the academic and think-tank communities. "The NPF will span the spectrum of Republican and conservative thought, but I expect many who are not Republicans to participate as well," said Barbour.

The NPF will publish Commonsense: A Republican Journal of Thought and Opinion. According to Baroody, Commonsense "will seek out ideas from whoever values the concept that parties can be vehicles for the introduction of ideas into the policy debate, whether or not they are Republicans and, as will the National Policy Forum itself, it will be dedicated to the proposition that the contest for votes must also be a contest of ideas."

The NPF program will begin next month with the distribution of a questionnaire covering a wide variety of policy issues. More than 600,000 Republican elected and party officials and contributors will be asked to respond to what is believed to be the largest issue research survey project ever undertaken by any political institution. The responses will be tabulated by the Republican National Committee and the results will be made available to the NPF for future use by the Policy Councils.

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THE FORMATION OF THE REPUBLICAN NATIONAL POLICY FORUM
SPEAKERS:
HALEY BARBOUR, CHAIRMAN, REPUBLICAN NATIONAL COMMITTEE
MICHAEL BAROODY, PRESIDENT, NATIONAL POLICY FORUM
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MR. BARBOUR: Thank you very much for being here. Today I'm
announcing the formation of the National Policy Forum, the Republican
center for the exchange of ideas. This organization will be
separate from the Republican National Committee, but it'll be a
powerful vehicle for refining and articulating our message of smaller
government, economic growth through low taxes, peace through strength
and other Republican principles. Although it's not a party
operation, it helps demonstrates ours is a party of principle and a
party of ideas.

NPF will be a very participatory program, giving Republicans and
others in states and communities away from Washington, DC, a voice in
the national debate between the Clinton administration's push for
higher taxes, more spending, and increased regulation and our belief
in lower taxes, less spending, and fewer regulations. This process
also helps demonstrate that we're a party of inclusion.

Mike Baroody, who has more than 20 years' background in public
policy development at the national level, will be president of NPF.
He's not only knowledgeable in the field, but enjoys the respect of
political, academic, research, and journalistic leaders. There'll
be a board of directors of 25 nationally-recognized Republicans and
other policy leaders. NPF will be organized under Section 501(c)(4)
of the Internal Revenue Code.

The forum will operate principally through a number of policy councils, each organized around an issue cluster. The board members and the policy council leaders will be announced later this summer, and the policy councils will begin conducting a series of public forums -- town meetings, hearings, conferences -- after Labor Day.

Each policy council will be broadly representative of Republican elected officials -- senators, House members, governors -- as well as legislators and state and local officials, party officials and Republican activists, former Republican administration officials, and leaders from business, labor, agriculture, and the academic think-tank communities. NPF will span the spectrum of Republican and conservative thought, but I expect many who are not Republicans to participate as well.

Our program will commence next month. The RNC will turn over to the National Policy Forum the results of what I believe to be the largest issue research survey project ever undertaken by any political institutions. Over 600,000 Republican elected and party officials and contributors will be sent a policy questionnaire covering a wide variety of issues. The responses will be tabulated, and the results made available to NPF for use by the policy councils.

Now, before taking questions, I'd like to introduce Mike Baroody, who, as I say, will be president of the National Policy Forum.

Mike?

MR. BAROODY: Thank you, Mr. Chairman. At the start, I want to say I'm delighted to have been asked by Haley Barbour to work on the National Policy Forum. I'm pleased to accept and anxious to begin.

There is a lot of organizational work to be done, a lot of men and women here and all around the country to enlist in this effort, a lot of meetings to plan. We expect to get most of that accomplished over the balance of the summer and get going this fall. I especially look forward to working with the people who will be part of the NPF -- leaders from business, labor, agriculture, and the academic and think-tank communities, and the leaders of the Republican Party, especially those who have led its efforts over recent years, starting with the party's leadership in the Congress and in Republican statehouses around the country.

I think this undertaking has three fundamental premises: first, that ideas really do make the defining difference in American politics. It is certainly true for any given election campaign that issues, technique and resources usually determine the outcome, but over the long term, it's ideas that decide in which directions the country will move -- toward more government or less, higher taxes or lower, more jobs or fewer, toward or away from vigorous American leadership in the world, toward higher hopes for Americans or diminished ones about their own future prospects and those of their

children.

A second premise of this effort is that in American politics, these ideas that matter over the longer term have traditionally been associated with political parties, and that we believe is still and ought to be the case. It has been written lately that America has passed through its two-party era.

The National Policy Forum is another signal from Republicans that we powerfully disagree. The NPF will encourage new ideas that will serve to strengthen the parties -- sensible ideas that can be embraced by individuals regardless of their political persuasion.

And finally, this effort is premised on a belief that if it's ideas we're looking for, Washington is not the only or even often these days the best place to find them. If it's ideas of this longer-term sort that we're looking for, we're at least as likely to find them around the country, where people are struggling with real life in their families, their neighborhoods, and their work, and where they themselves are coming up with and testing out new ideas to see if they hold up, not just in theory, but hold up against the hard facts of real life and contemporary experience.

One other thing: we will start again to publish Common Sense, a Republican journal of thought and opinion which first appeared in 1978. As then, it will seek out ideas from whoever values the concept that parties can be vehicles for the introduction of ideas into the policy debate, whether or not they are Republicans, and as will the National Policy Forum itself, it will be dedicated to the proposition that the contest for votes must also be a contest for ideas.

Thank you, Mr. Chairman.

MR. BARBOUR: We would like, if there are any, to take any questions now about the National Policy Forum or what we're doing in that regard.

Q I notice that both your statement and that of Mr. Baroody, there was no mention of any social or cultural issues as examples of what you would be dealing with at the National Policy Forum. Is that inadvertent?

MR. BARBOUR: The National Policy Forum will cover the broad variety of issues facing the country, social, cultural, foreign affairs, national defense, international trade, as well as domestic issues. So, it will cover the broad waterfront.

Somebody had their -- yes?

Q You had mentioned that there are going to be policy councils along issue clusters. Could you give us an idea of that those policy councils will deal with or what the issue clusters are?

MR. BARBOUR: There will be from 12 to 20. We're still working on exactly how many. And they will be anywhere from -- and they probably will have a little bit fancier names than this, but dealing with international trade, the environment, energy, fiscal policy, organization of government, small business entrepreneurship, and, as I said in response to an earlier question, they will cover the variety of issues facing the United States, foreign, domestic, and all of the kind.

Yes, sir?

Q What is the genesis for this new forum, and why does the party itself find it necessary to have it?

MR. BARBOUR: Well, the genesis of it is that after 12 years in the White House and particularly, I thought, during the 1992 campaign, that it is important for us as a party to stand for something, for people to know what the Republican message is. In doing that, as we worked through the process, we decided the best thing to do was to try to be more inclusive than just Republican activists, that we decided that we've got Republican principles that are the right principles and we needed to have a very participatory process in which people who are Republicans at the grass roots or elected officials but also others who share our opinions or want to contribute to the ideas in American politics, we wanted to have a vehicle where they could participate. And that's why we formed it this way, that it is an opportunity for an airing of ideas based on Republican principles about the way to solve problems that face our country, whether it's about communities, about the country as a whole, whether it's economic or other policies. But the genesis of it came from several people, including my view that really after the end of the 1992 campaign, we had not done a very good job of articulating what we as Republicans believe in.

Yeah, Richard?

Q Haley, to what degree is this a response to the growing strength of Ross Perot and United We Stand America? And are you worried they might be stealing away some of your base and some of your ideas?

MR. BARBOUR: As you know, Richard, actually this -- I ran for chairman predicated on doing something like this. So it's not really a response, it's something that we had determined earlier to do. But I do think it will be effective in allowing people who voted for Ross Perot who had voted Republican in the past, and that is most of the people who voted for Ross Perot, in making them feel like they've got an opportunity to participate in the national debate, to have a seat at the table, to have a voice in what our party's saying and what's going on in the country. So, while we had begun -- we had put together the idea before United We

Stand America really came much on the scene, I think it will have the effect of letting people know they have a chance -- they have a party here in which they can participate.

Yeah, Miles?

Q What do you expect to come out of this at the end of the process? What would be the product of --

MR. BARBOUR: Well, first of all, it's not a platform. We're not in the process of rewriting our platform or altering it. That's something that is done by our national conventions in '92, will be done again in '96. The convention is a legally constituted and apportioned body, and that's one of its purposes. But what -- the two things that I think will come out of here that are the most important, one is we will have a very participatory process that will allow people at the grassroots level away from Washington to have an opportunity to have a voice in what we're doing and saying, not just the Republican Party but the entire national political debate. And I think that will be very positive not only at the grass roots but for Republicans in Washington, for our senators, our House members, and our leaders out in the states.

So the process itself is very important. In the end, we'll issue a report. I think you have there a copy of a booklet that we have disseminated to some of our leadership, and the report will be called Listening to America. We're not in the process of building a consensus or trying to have a specific outcome, though I think on many issues a consensus will be obvious. But essentially, the report that we issue will talk about ideas, policies, plans and programs that are founded on fundamental Republican principles of our government.

Q And that questionnaire you said you're going to be distributing to 600,000 Republicans --

MR. BARBOUR: Right.

Q What are you going to be asking them?

MR. BARBOUR: It will be very policy oriented. It will be a long, in- depth questionnaire on public policy issues. And we will -- after we aggregate and tabulate that, we will not only give it to the National Policy Forum for their use but we'll distribute it to the press. We'll disseminate the results publically as well as give it to Republican elected official leaders.

Yeah, Bob?

Q Mr. Chairman, how much money will this cost, and where will it come from?

MR. BARBOUR: Well, we'll raise -- it's going to be 501-C(4), and

we will raise the money through the 501-C(r) to pay for it. The National Committee, the RNC, has loaned NPF \$100,000 of seed money to get started, which they will pay back out of their fundraising.

Q Does Mr. Baroody have an idea what a year's budget would look like?

MR. BARBOUR: He does, but let me just say we intend to spend about \$4 million between now and the end of next summer, and that's about as far as we have budgeted because we're going -- at the end of the summer -- I mean, in the middle of next summer, we will kind of lower its profile, assess and evaluate how we've done to see what the best way is to proceed.

Yes, sir? This man's been trying. I apologize to you.

Q That's quite all right. How will the party determine which non- Republicans will participate?

MR. BARBOUR: It will just be a very open process. We just tried to design it in a way so people would understand they did not have to be card- carrying Republicans in order to have the opportunity to come and participate in our conferences and our hearings and our town meetings and that sort of stuff. And we will also reach out to some people. As when Bill was at -- I mean when Mike was at the RNC with Bill Brock, as they wrote -- reached out to people who were not Republicans to write for Common Sense back then.

Yes, ma'am.

Q Yes, this is some ways said it -- it kind of finessed the question of form as to how (to view ?) United We Stand. Do you see this as a rival group? Do you expect members of United We Stand could also be members of this group?

MR. BARBOUR: I don't see it as a rival group, and yes, I do think -- this is a process that's going to be open, as I said. And it would certainly be -- they -- they would certainly be welcome. And frankly, I suspect a lot of people who voted for Perot, whether or not they belong to United We Stand, to participate.

John.

Q Haley, a couple weeks ago the Democratic Party gave up on its plans, but it had been planning to form this health care campaign --

MR. BARBOUR: Right.

Q -- which was going to be a 501-C(4) --

MR. BARBOUR: Right.

Q -- and a lot of Republicans criticized that as a way for the Democrats to set up a new area where they could fundraise without disclosing -- as kind of a closet Democratic Party group, but hide it as bipartisan. What makes this any different?

MR. BARBOUR: Well, of course, it's a lot different.

Let me just say first of all I was not somebody who criticized their thought about doing that, but it's a lot different in that the -- that the Democratic plan was very wrapped up with the government.

I mean, it was designed to support a White House initiative. It came very, very close, apparently, to violating the Anti-Deficiency Act. It came very close to -- to the danger that there would be political money and foundation money and taxpayer money all comingled. And I think that that is what the problem was that the -- I -- you know, I can't speak for them, John. But my impression is that the problem that the DNC had is because their goal was to promote a White House program, it became so -- it -- it had the danger of becoming so integrated in government activity that it would run afoul of -- of some of the statutes, even.

So this will not in any way be promoting any kind of taxpayer-financed or -- or -- or White House-type deal. This will be -- this will be much more like -- and -- and I don't -- this is not a direct analogy, but -- but it'd be much more like a think tank, and there are a number of think tanks with relationships to both parties which currently exist under 501-C(4).

Q Haley, is this --

MR. BARBOUR: Michael.

Q -- is this in any way a reflection on the kind of campaign that you'll probably run in 1992? There have been a -- there have been a number of initiatives in the last few weeks on how America -- (inaudible) -- few weeks ago, the Lamar Alexander Corporation down in Tennessee. I mean, is there a general sense in the party that ideas were not sufficiently (the core front ?) last fall?

MR. BARBOUR: Michael, I don't want to be hard on anybody, but -- but perhaps it is just because we had been in the White House twelve years. But I think most Republicans agree that we did not do a very good job in 1992 of letting the American people know what we were asking them to vote for, that we need to give people something to be for. It is not enough today for us just to oppose Clinton. We want a party that is centered on ideas and gives people something to be in favor of, something to vote for. I have said from before I was elected chairman that we need to regain our position in this country as a party of principle not a party of ideas. I think we very clearly had that in the late '70s and well into the '80s. Whether it was just the 1992 campaign or a confluence of circumstances, we lost that image and we lost that position, and this is just one vehicle in

helping us regain it. So I don't want to be overly hard, and it may be more than that. But clearly, by the end of 1992, people were not sure what we really -- we, as Republicans, really were for.

Q Haley, there's quite a collection now of Republican groups sort of in this area -- Empower America being a recent one, and the Coalition for a Republican Majority, all that. How is the National Policy Forum going to intersect with those, or will it end up competing with them?

MR. BARBOUR: Well, I don't think there's any competition. I think it's healthy that there be a number of organizations that are out promoting Republican ideas.

The difference between the National Policy Forum is that it is -- while it is not part of the RNC, it is very clearly open to everyone.

I think it will be perceived as open to all Republicans regardless of stripe or loyalties to persons or anything like that. And it also will be open to those who are not Republicans. It just -- we want it to be very broadly based. And so I do think it's healthy to have these others, though I think this one is one that will be seen as much broader, in fact.

Q To follow up on that, you keep mentioning -- stressing "broadly." So are we to assume that you're not going to have someone else high up in this group, someone else with '96 aspirations of his own, the way some of these other groups have sort of their putative '96 person?

MR. BARBOUR: Well, of course, I'm not knowledgeable enough to characterize the others. But -- (laughter) --

Q We'll talk later!

MR. BARBOUR: In fact, I think you will see that many people who are perceived as potential 1996 candidates will participate in the National Policy Forum, and that, hopefully, everybody who might even think of running in 1996 will do that.

David?

Q Will Mike be operating out of the RNC or --

MR. BARBOUR: No, sir. We have already set up shop on Pennsylvania -- (to Mr. Baroody) -- answer that question because I can't remember the address!

MR. BAROODY: Yes, sir. It's 229-1/2 Pennsylvania Avenue. We've taken over some space there and some preliminary work has been done to put the offices together.

Q When is that survey going to be done?

MR. BARBOUR: Sir?

Q When's that survey going to be finished?

MR. BARBOUR: It will actually be distributed the first of next month. We anticipate it will take a while to get the responses back. The questionnaire is long; it is a very large group of people. And we're going to give -- we're going to expect people to take 30 days or so before we really feel like we've gotten back all the results. But it will be distributed in early July and we think we'll have something to turn over to NPF and to disseminate in August.

Yes, sir?

Q Is Mr. Baroody leaving his job with NAM?

MR. BAROODY: I am. My last day there will be the 30th of June.

Q I have a question about the mechanics about deciding what ideas will be publicized. In other words, you're going to get a lot, and presumably there has got to be a structure to winnow them out and decide -- and maybe some of them -- maybe there are some good ideas that are very critical of the party or party leaders. So I'd like to zero in, if you or Mr. Baroody would, on the mechanics by which which ideas will be publicized and disseminated.

MR. BARBOUR: Each one of the policy councils will operate in its own right. They won't be independent; they will all operate under Mike and the NPF. Each one will deal with a separate issue cluster.

And there will be, we hope, expect, a lot of different ideas that will come before each one. So within each policy council -- both from the survey that we do, from the members of the policy council themselves -- and they will be recruited this summer, and they will be people with expertise in the field; as I mentioned, some elected officials from the national level, also from the state and local level; party officials, business, labor, agriculture; people from the academic and think tank communities -- they will generate ideas. We will also have a series -- in the late summer, early fall -- of conferences of elected officials so that they get an early opportunity to inject their ideas into the process. And then, as we go along, the ideas that will get the most publicity are the ones that we think are the best ideas. It is almost that simple.

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Common Sense, the publication that Mike will bring back at the NPF, will be filled with things that are generated -- ideas, programs -- that are generated by the NPF policy councils.

Yes, sir?

Q Could you comment on the Business Week report that the National Committee is subsidizing President Bush and President Reagan about (12-5 ?) a month?

MR. BARBOUR: I absolutely can't. But let me do this. Let me finish National Policy Forum questions, and then I'll be glad to change hats and answer any question that anybody wants me answer about anything.

Yes, sir?

Q Given the ongoing differences of opinion in the party about abortion, do you intend to devote any of these 12 to 20 policy committees to abortion, a cluster of issues around, and is there any other -- ways you intend to broach that issue in your questionnaires or any way (in your council ??)?

MR. BARBOUR: Yeah, well, at least one of the policy councils. Every issue that we can come up with will be taken up by some -- one of the policy councils, and at least one of the policy councils will deal with that issue. We're going to try to reach out to every single relevant issue in the country, to air ideas and have debate about it.

Q So the policy forum will be doing polling on its own and advertising, and it sounds awfully similar to United We Stand. Do you see any differences in these two organizations?

MR. BARBOUR: I guess I don't know enough about United We Stand to understand how they operate, but no, we will not be doing any massive advertisement. When -- the policy councils will conduct, as I said, a series of hearings, town meetings, conferences around the country, and we will promote those in the locations. I mean, if we're going to have a hearing Indianapolis -- most of these will held away from Washington -- if we're going to be having a hearing in Indianapolis, for instance, we will promote participation in the Indianapolis media. I don't anticipate that it will be through paid advertising. I don't see us -- I don't see us in the paid advertising business.

But we will promote participation because we think that is important for people to understand that their ideas are wanted and that we are soliciting them.

Yes, ma'am?

Q I have two questions. You said you don't have to be a card-carrying Republican, that card-carrying Democrats were welcome.

MR. BARBOUR: Anybody is welcome to participate who wants to, who thinks they have something to contribute. And I don't know -- there are a lot of Democrats who are more in agreement with our principles than they are with what this administration is doing, and they would be welcome.

Q Could -- and also, is the idea to come to a policy statement -- (inaudible due to background noise) -- is the purpose of

this group to end up saying, "We support abortion only in such case," or is it to say, "Here is the whole range that" --

MR. BARBOUR: As I said earlier, we are not in the position of trying to build consensus positions on every issue. I do think you will have a lot of issues where the consensus will be virtual unanimity, but it is not our goal here to try to come to a consensus position on every issue. It's our goal to try to air the ideas, policies, programs, plans that are out there around the country that are predicated on Republican principles.

Yes, sir?

Q Hi, I know one of your committeemen, Mr. Blackwell, has expressed a little concern that the press could pick this up and say that Republicans are fighting amongst themselves. Evidently you are not concerned about that. Can you explain how you've reached the conclusion this is the right way to go?

MR. BARBOUR: Well, I think it is very important that the rank-and- file membership of our party and the average American have an opportunity to participate in the debate on ideas. I think policy really counts. I think Mike Baroody put it very well that the heart and soul of the American political system is issues and ideas, and while I think that it is not baseless to say that there will be disagreements and that perhaps sometime there may be a bad story written or somebody will choose to emphasize the negative. I think the up-side potential is so much -- is immensely more than the risk, and I think it is incumbent upon us, in our best interests and in the country's best interests, for us to give people a chance to participate in the political debate in America. So, that is why I've gone forward despite the fact that Morton (sp) has expressed some reservations.

Yeah, Chuck?

Q Haley, are you going to disclose who your donors are?

MR. BARBOUR: We're going to abide by the law, which says that we have to file an annual report, and we will file that report. As I understand it, it does not require disclosure of individual contributors. And if that is the case, then we're going to abide by the law.

Q Does it bother you at all that in an era of campaign finance reform and the push toward that that a number of these Republican groups are out there raising millions of dollars geared toward '96 without any disclosure on who's --

MR. BARBOUR: Well, of course, this is not geared toward '96, and I can't speak for what anybody else does. Does it bother me at all that we're going to abide by the law? No.

Q Are any -- (inaudible)?

MR. BARBOUR: There will be, but none to announce today.

Yes, sir.

Q Haley, United We Stand has been mentioned. David Wilhelm has indicated the Democrats might be returning to Dollars for Democrats with a (\$15 ?) membership fee. Is what's going on with National Policy Forum and these other organizations reflective of a greater desire among the American people for more of a neighborhood-based political system, as the parties used to provide decades ago, and a feeling of closeness and control that has been missing from media-oriented campaigns?

MR. BARBOUR: Well, let me just say that, first of all, the National Policy Forum is separate from the RNC. And the RNC, as some of you know, has really emphasized this year small-donor-based fundraising. And last month, we had a record month in fundraising, and over 90 percent of the contributions came in small contributions, contributions of under \$100. So, we are emphasizing that, have already. However, that National Policy Forum has really nothing to do with the fundraising side, has nothing to do with the idea of the party per se.

But what it really does, and I think it's an affirmative answer to your question, it really is an idea to let people at the grass roots feel like they have an opportunity to have a voice in the policy debate in this country. And I think that is something that has been missing, and I think the way technology and advertising have been too dominant in political campaigns, that people want a voice. I think that is one of the things that Ross Perot's campaign showed, that if you give something before and let people have the idea that they can meaningfully participate, that they'll knock down your door.

And that's why I think that it is important that we make this open to all people, that it's not just for Republican insiders or card-carrying Republicans, because I think people do want a chance to participate, and this should give it to them. We hope it will.

John.

Q I guess, Haley, I'm having a problem, if the parties are supposed to stand for ideas, why does a party need to form an arm's-length organization to develop ideas? Are you afraid that if you had Republican National Committee forums and said, please Democrats come, please independents come, you know, tell us why you think we're wrong or where we're right, they wouldn't associate with your party?

MR. BARBOUR: We want to make it easiest for the broadest participation. If you make it purely a Republican organization, I do think a lot of people who perhaps vote Republican but consider themselves independents or maybe even conservative Democrats would

feel like they're not welcome. And I think setting it up separate from the party does make it very clear that everyone's welcome. And I think that's very important to us as a party. And I think it's very important to the political process that we not have something that is a closed-door operation, but is very obviously an open-door operation. So, while I -- the words you used wouldn't exactly be my words, we did do it because we wanted to make it easier for people who are not Republican activists to feel like this is something they're welcome to do.

Yes, sir.

Q Are the results of the survey next month going to be made public?

MR. BARBOUR: Yes. They'll be disseminated to the press. But probably not till August.

Q And what types of information do you want to get from the people that you are sending it to that you don't already know?

MR. BARBOUR: This will be a very serious, in-depth policy questionnaire about issues that is far beyond the kind of information that we normally elicit from large numbers of people at one time. I will tell you, I don't think we'll be greatly surprised by what people's answers are, but it will be an opportunity, household by household, for people to respond directly to policy questions facing the country.

Yeah, Ralph?

Q Six hundred thousand --

MR. BARBOUR: It's actually over 600,000.

Q Right, but you said household by household. This is not then just to prominent Republicans at all levels throughout the country, but is this random --

MR. BARBOUR: No, it's not random. But it is -- there will be over 600,000 households who will receive this. And as I said, they will be all Republican elected officials, all Republican party officials, and all Republican contributors. So, it will be a very, very large number of people.

Q (Inaudible.) What about the Perot -- will prominent Perot people at various levels receive this mailing?

MR. BARBOUR: We're going to mail our lists. I mean, the way we generated this, these were people who contributed to us last year, all our elected officials, all our party officials, all the members of the National Federation of Republican Women, which may bump us up to closer to three-quarters of a million. But

essentially, we're taking every name we can generate and we're sending them and asking their opinion.

Q Suppose you are surprised on one or two areas where you didn't realize that you got a very large percentage of respondents being on -- either caring about an issue that you didn't think was hot, or being on that side of an issue that you didn't think they would be on? Then what? Suppose you wince and both of you roll your eyes and say, "Oh, my God, what are we going to do about this?"

MR. BARBOUR: We'll turn it over to the National Policy Forum and their policy councils, and they'll proceed in the way they think is best, you know? You don't have to agree with Haley Barbour on everything to be a good Republican.

Did you have your hand up?

Q Well, if, for instance, you --

MR. BARBOUR: I wasn't trying to beat a question on that. He just -- (laughter.)

Q If you get a lot of sentiment for campaign finance disclosure, would you consider disclosing the contributors to the forum?

MR. BARBOUR: No.

Yes, sir?

Q I'm puzzled. On the one hand, you can talk about this as an idea-generating mechanism, and I'm wondering what idea -- would it be a fair test of the organization a year or two from now if you said here's an idea getting wide publicity that otherwise, if it hadn't been for NPF, would not have been?

MR. BARBOUR: I think that would be an example of success. I mean, I don't know that that will happen. We'll have to see where we are if we get to that point, but yeah, I think it would just confirm what I already feel will be the case, that it will generate serious, thoughtful ideas about how to take Republican principles and make them more politically attractive and more governmentally successful in the years to come. So I don't know that that will happen, but I think that would be a confirmation of my own predisposition of what will happen.

Yeah, Miles?

Q Are you going to have hearings around the country on abortion?

MR. BARBOUR: Well, every policy council is going to have hearings around the country. And as I said, one policy council --

at least one will deal with abortion, and when it has its public hearings, they will discuss that issue. But every one of them will have hearings around the country.

I don't want to cut off that, but there was somebody that wanted to ask me a question in a different capacity.

Q On the Business Week report that RNC is giving the business operation (of ?) Bush and Reagan about 12.5 a month, is that correct? And if so, why are you doing this?

MR. BARBOUR: Yes, it is. Starting with President Reagan early on, it was felt that taxpayers should not bear -- or that they should not spend taxpayers' money on their office accounts for their political work, for the political work President Reagan has done. Of course, he's done a good bit. So an agreement was reached that the RNC would pay a supplement to their office account and that would cover the cost of work that is generated because of his political activity. I mean, he signs a lot of mail for us, he makes a lot of appearances for us, he does videotapes for us and that sort of stuff.

So the RNC has for some time paid his office account, office expense just based on just a monthly payment, trying to estimate what it would cost. And we have begun this year doing the same thing with President Bush.

Q What has President Bush done in political terms since he left office?

MR. BARBOUR: Well, so far he really hasn't done anything. He has not done any political things yet.

Q Will the \$12,500 go to making sure that that remains the case? (Laughter.)

MR. BARBOUR: My hearing aid probably was down low. I didn't get that one. (Laughter.)

Yes, sir?

Q On another issue other than the NPF, Kevin Phillips (sp) recently gave a talk to the Women's National Democratic Club dinner and made some estimates on behalf of the Democrats there of what he thought the Republicans would do in the Senate and the House in 1994.

The conservative estimate was 48 seats in the Senate that are Republicans and 195 in the House. Could you give any -- if not necessarily a numerical estimate, but an overview briefing on those races in '94?

MR. BARBOUR: We are exclusively focused on 1993 and 1994 at the RNC. We have already gained two seats in the Senate since President Clinton was elected. I think we will make more gains in the Senate.

I wouldn't try to second guess Kevin, but I think we have a genuine chance to take control of the Senate. That means pick up seven more

seats in 1994. I think the odds are against us. I think it's uphill, but I think we have a genuine chance. I think we left a lot of seats on the table in the House last year, and I think we should make gains in the House.

Right now the political environment for us is super. You see that we enter the serious candidate recruiting season with a huge amount of momentum because of Kay Bailey Hutchison's victory, because of Dick Reardon (sp) being elected, being the first Republican elected mayor of Los Angeles since 1957; because of Brett Shundler (sp) getting two-thirds of the vote in a 65 percent minority population city to be elected mayor of Jersey City. All across the country you see Republican victories in huge numbers, and that is being very, very helpful in our candidate recruiting, and candidate recruiting is the first key to success in 1994. And so I think we will be very successful. I'm not smart enough to quantify it, but I can't say that Kevin's numbers sound crazy, but I think we may -- I think we will do very well.

Q A quick follow-up. If you were at 50-50 in the Senate, do you anticipate that any Democrat or Democrats might switch over and form a majority with the Republicans, either by switching party affiliation or by voting to organize with the Republicans to organize the Senate and get the committees and so forth?

MR. BARBOUR: Well, I'm sure that if we got to that point, that we would find out the answer to that question. (Laughter.)

Are there any other questions? I appreciate your coming out on a Monday morning, and thank you for the opportunity for us to tell you about the National Policy Forum. We'll try to keep you posted on it. ####

END